

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 SS-15 SP-02 IO-13 AID-05 STR-04

EB-08 COME-00 FRB-03 OMB-01 XMB-02 CIAE-00 INR-07

NSAE-00 H-01 TRSE-00 /084 W

-----120629Z 007712 /14

R 111533Z MAR 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 0026

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY MONTEVIDEO

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY SANTIAGO

USMISSION OECD PARIS UNN

C O N F I D E N T I A L SECTION 1 OF 2 STOCKHOLM 1094

E.O. 11652: GDS

TAGS: IDB, SW

SUBJECT: PROPOSAL FOR SWEDISH MEMBERSHIP IN INTER-AMERICAN
DEVELOPMENT BANK THREATENS COALITION UNITY

1. BEGIN SUMMARY. THE QUESTION OF SWEDISH MEMBERSHIP IN
THE INTER-AMERICAN DEVELOPMENT BANK HAS SUDDENLY POSED A
THREAT TO THE FALLDIN COALITION'S STABILITY. INTRODUCED
AS PART OF A GOVERNMENT EXPORT PROMOTION BILL ON
MARCH 10, BUT NOT DUE FOR FINAL ACTION IN THE RIKSDAG
UNTIL EARLY MAY, THE MEASURE ALREADY HAS ARRAYED AGAINST
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IT THE SOCIAL DEMOCRATS, THE COMMUNISTS AND AT LEAST TWO
PROMINENT MEMBERS OF THE LIBERAL PARTY. WITH THE
GOVERNMENT COMMANDING ONLY AN ELEVEN SEAT PARLIAMENTARY
MAJORITY, FEARS ARE BEING EXPRESSED THAT ADDITIONAL
DEFLECTIONS FROM COALITION PARTIES COULD WELL RESULT IN
THE MOST SERIOUS PARLIAMENTARY SETBACK FOR THE REGIME SINCE
IT ASSUMED POWER LAST OCTOBER. GOVERNMENT SPOKESMEN

HAVE DEFENDED IDB MEMBERSHIP AS NECESSARY TO PERMIT SWEDISH COMPANIES TO COMPETE EVENLY WITH OTHER NON-LATIN AMERICAN MEMBERS OF THE BANK. OPPONENTS ARE CHARGING THAT THE IDB IS AN INSTRUMENT OF WASHINGTON AND THE MULTINATIONAL CORPORATIONS WHICH HAVE DELIBERATELY MADE THE BANK'S RESOURCES PRIMARILY AVAILABLE TO THE RICHEST COUNTRIES AS WELL AS THE MORE REPRESSIVE AND DICTATORIAL REGIMES IN LATIN AMERICA. PRIME MINISTER FALLDIN IS PUBLICLY CONFIDENT THAT COALITION DISCIPLINE WILL HOLD AND THAT THE MEASURE WILL SUCCEED, BUT MANY OTHER OBSERVERS BELIEVE THE OUTCOME VERY MUCH IN DOUBT. END SUMMARY.

2. MINISTER OF COMMERCE STEFFAN BURENSTAM-LINDER, ONE OF THE FOUR MODERATE PARTY MEMBERS OF THE FALLDIN CABINET, PRESENTED A GOVERNMENT BILL TO THE RIKSDAG ON MARCH 10 ON EXPORT-PROMOTING MEASURES DESIGNED TO INCREASE SWEDISH EXPORTS TO THE DEVELOPING COUNTRIES. ONE ELEMENT OF THE PACKAGE IS A PROPOSAL FOR SWEDISH MEMBERSHIP IN THE INTER-AMERICAN DEVELOPMENT BANK (IDB), AN INITIATIVE LONG ENDORSED BY THE MODERATE PARTY, BUT VIEWED UNTIL VERY RECENTLY WITH MIXED FEELINGS BY THE TWO OTHER PARTIES IN THE COALITION, THE LIBERAL AND THE CENTER PARTIES. THE ISSUE IS NOW A NEW ONE IN SWEDEN AND CONSIDERABLE DEBATE HAS TAKEN PLACE OVER THE LAST SEVERAL YEARS. OPPOSITION TO THE PROPOSAL COMES MOST STRONGLY FROM THE SOCIAL DEMOCRATS AND THE COMMUNISTS, BUT ALSO FROM THE YOUTH ORGANIZATIONS OF BOTH THE CENTER AND LIBERAL PARTIES. OPPONENTS HAVE ARGUED WITH APPARENTLY TELLING EFFECT THAT THE IDB IN ITS PRESENT STRUCTURE IS A CREATURE OF THE US AND THE MULTI-CONFIDENTIAL

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NATIONAL CORPORATIONS WHICH HAVE ESTABLISHED THE FACILITY TO EXERT HEAVY INFLUENCE ON THE ECONOMIC POLICIES OF THE LATIN AMERICAN GOVERNMENTS, TO PROTECT INTERNATIONAL INVESTMENT IN LATIN AMERICA AND TO ENSURE A CONTINUED FLOW OF PRIVATE INVESTMENT THERE. CRITICS POINT TO THE HEAVY VOTING INFLUENCE OF THE US GOVERNMENT AND TO THE BANK'S LOAN RECORD WHICH, THEY SAY, HAS DELIBERATELY FAVORED THE MORE REPRESSIVE GOVERNMENTS IN THE AREA, CHIEF AMONG WHICH IT IS SAID ARE CHILE, ARGENTINA AND URUGUAY.

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3. BURENSTAM-LINDER, ADMITTING THAT THERE IS SOME MERIT TO OPPONENT'S ARGUMENTS AND THAT SWEDISH INFLUENCE WITHIN THE BANK FOR CHANGE WOULD BE MINIMAL, INDICATED THAT SWEDEN'S CURRENT BALANCE OF TRADE DIFFICULTIES REQUIRED SWEDISH IDB MEMBERSHIP. HE POINTED OUT THAT LATIN AMERICA HAS TRADITIONALLY BEEN A PRINCIPAL MARKET FOR SWEDISH EXPORTS AND THAT SWEDEN'S LARGEST CORPORATIONS (L.M. ERICSSON, ASEA, ATLAS COPCO, ETC.) STOOD IN DANGER OF BEING FROZEN OUT OF IDB-FINANCED PROJECTS SHOULD SWEDEN REMAIN OUTSIDE THE BANK. WHILE NOT GUARANTEEING THAT SWEDISH EXPORTS WOULD PROSPER AUTOMATICALLY WITH
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BANK MEMBERSHIP, BURENSTAM-LINDER SAID THE GOVERNMENT HAS REASON TO BELIEVE THAT CONTRACTS WORTH UP TO \$100 MILLION A YEAR MAY BE OBTAINED IF THE GOVERNMENT BILL IS APPROVED. HE NOTED THAT THE SWEDISH MOTIVATIONS FOR MEMBERSHIP WERE SIMILAR TO THOSE OF OTHER WESTERN EUROPEAN COUNTRIES, ALL OF WHOM, EXCEPT NORWAY, HAVE APPLIED FOR MEMBERSHIP. HE INSISTED THAT THE GOVERNMENT WAS UNIFIED ON THE QUESTION - DESPITE THE WELL-PUBLICIZED OPPOSITION FROM

WITHIN CERTAIN COALITION GROUPS, MINISTER FOR FOREIGN ASSISTANCE OLA ULLSTEN OF THE LIBERAL PARTY, AND MINISTER OF ENERGY OLOF JOHANSSON OF THE CENTER PARTY.

4. ALTHOUGH THE FULL DEBATE IS STILL TO FOLLOW, PRIME MINISTER FALLDIN'S LEADERSHIP NOT ONLY OF THE COALITION BUT OF HIS OWN CENTER PARTY, IN THE OPINION OF MOST OBSERVERS, HAS BEEN SHAKEN. THE VOCAL CENTER PARTY YOUTH ORGANIZATION HAS BEEN IN THE FOREFRONT OF CRITICS OF SWEDISH MEMBERSHIP AND HAVE PUBLICLY REMINDED FALLDIN THAT THE CENTER PARTY HAD GONE ON RECORD LAST SUMMER (BEFORE THE ELECTIONS) AGAINST SWEDISH MEMBERSHIP. FALLDIN ON MARCH 8 MET WITH THE YOUTH SECTION TO DESCRIBE THE SERIOUSLY NEGATIVE CONSEQUENCES FOR SWEDISH TRADE IF SWEDEN DOES NOT JOIN. SEVERAL MEMBERS OF THE CENTER PARTY YOUTH GROUP WHO ARE ALSO RIKSDAG MEMBERS LATER INDICATED THAT FALLDIN HAD BEEN CONVINCING AND EXPECTED NO CENTER PARTY DEFECTIONS WHEN THE ISSUE COMES TO A VOTE IN MAY.

5. THE MOST VOCAL CRITICS FROM WITHIN THE COALITION ARE MEMBERS OF THE LIBERAL PARTY AND PARTICULARLY THE LIBERAL PARTY YOUTH LEAGUE. MP'S BONNIE BERNSTROM AND PER GAHRTON HAVE ALREADY DECLARED THEIR OPPOSITION TO THE MEASURE, MEANING THAT THE GOVERNMENT WILL BE DEFEATED IF THERE IS NO BREAK IN SDP-COMMUNIST RANKS (WHICH SEEMS LIKELY) AND ONLY FOUR ADDITIONAL COALITION PARTY MP'S JOIN THE OPPOSITION.

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6. COMMENT: THE IDB DEBATE REVEALS THAT THE PHENOMENON OF KNEE-JERK RESPONSES AGAINST US LATIN AMERICAN POLICY BY THE SWEDISH LEFT CONTINUES. THE ISSUE HAS STIMULATED NOT ONLY THE COMMUNISTS BUT THE LEFT-WING OF THE SOCIAL DEMOCRATIC PARTY AND THE REMNANTS OF VARIOUS ANTI-US GROUPS TO AGAIN ALLEGE THE MOST FAR-FETCHED AMERICAN INFLUENCE ON LATIN AMERICAN REGIMES. GOVERNMENT SPOKESMEN, INCLUDING THOSE FROM THE MODERATE PARTY, HAVE CHOSEN NOT TO ATTEMPT TO DEFEND THIS ASPECT, PREFERRING TO POINT OUT WHAT SWEDISH IDB MEMBERSHIP WILL MEAN IN TERMS OF JOBS, PRODUCTION AND EXPORT SALES.

7. THE EMBASSY, OF COURSE, HAS NO ROLE WHATEVER IN THIS DEBATE, BUT WE WOULD APPRECIATE RECEIVING FROM THE DEPARTMENT CURRENT INFORMATION ON BANK MEMBERSHIP, VOTING WEIGHT, LOAN RECIPIENTS AND THE CRITERIA GENERALLY USED FOR LOAN APPROVAL AND RELATED DATA. IT WOULD ALSO BE USEFUL TO KNOW WHERE CONTRACTS AND PROCUREMENT FINANCED BY ORDINARY CAPITAL (OC), FUND FOR SPECIAL OPERATION (FSO)

AND TRUST FUNDS HAVE BEEN PLACED, AS SEDISH HOPES MAY BE
EXAGERRATED. BECAUSE OF THE PLETHORA OF CHARGES AND
COUNTER-CHARGES REGARDING THE US ROLE IN THE BANK,
WE BELIEVE SUCH INFORMATION WILL BE HELPFUL IN
ANALYZING THE ISSUE.
PERRY

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Message Attributes

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